MEPC

Canadian Properties Limited

annual report 1973

M E P C
Canadian Properties Limited

Directors

A. Ross Poyntz, F.C.I.A.
Chairman—
The Imperial Life Assurance Company of Canada
Toronto, Ontario.

R. A. Greiner, F.R.I.
President—
M.E.P.C. Canadian Properties Limited
Toronto, Ontario.

P. A. Anker, F.R.I.C.S., F.R.I.
Managing Director—
M.E.P.C. Limited
London, England.

Gordon C. Gray, F.C.A.
President—
A. E. LePage Limited
Toronto, Ontario.

Sir Henry Johnson, K.B.E.
Chairman—
M.E.P.C. Limited
London, England.

R. H. D. King, C.A., A.C.A.
Vice President—
M.E.P.C. Canadian Properties Limited
Toronto, Ontario.

D. A. McIntosh, Q.C.
Partner—
Fraser & Beatty
Toronto, Ontario.

W. C. Mearns, B.A., P.Eng.
Director—
Bank of British Columbia
Vancouver, B.C.

The Hon. Angus Ogilvy
Director—
The Guardian Royal Exchange Assurance Company Limited
London, England.

G. E. A. Pacaud, B.Sc., LL.B.
Senior Vice President—
M.E.P.C. Canadian Properties Limited
Toronto, Ontario.

D. N. Stoker
Director—
Nesbitt, Thomson & Company, Limited
Montreal, P.Q.

D. A. Thompson, Q.C.
Senior Partner—
Thompson, Dorfman, Sweatman
Winnipeg, Manitoba.

Officers

A. Ross Poyntz, F.C.I.A.
Chairman of the Board

R. A. Greiner, F.R.I.
President and General Manager

G. E. A. Pacaud, B.Sc., LL.B.
Senior Vice President and Secretary/Solicitor

R. H. D. King, C.A., A.C.A.
Vice President and Treasurer

M. H. Morgan, F.R.I.C.S., F.R.I.
Vice President, Administration

A. K. Stephens, F.R.I.
Vice President, Investments

R. W. Heslop, F.R.I.
Vice President, Eastern Region

J. W. Weir, B.Arch., M.R.A.I.C.
Vice President, Development

Head Office

27 Wellesley Street East, Toronto, Ontario M4Y 1G8

Auditors

Campbell, Sharp, Nash & Field, Chartered Accountants

Stock Transfer Agent and Registrar

The Royal Trust Company

Bond Trustees

The Royal Trust Company
Montreal Trust Company

Common Shares Listed

The Toronto Stock Exchange
The Montreal Stock Exchange

Preference Shares and Warrants (October 1976 Series) Listed

The Toronto Stock Exchange

Bankers

Bank of Montreal
Canadian Imperial Bank of Commerce
Bank of British Columbia
Royal Bank of Canada

Financial Highlights (expressed in thousands of dollars)

	1973	1972
Rental Income	**$ 18,014**	$ 13,972
Gross Cash Flow	**$ 4,842**	$ 3,950
per share*	**87¢**	71¢
Net Earnings Before Gain on Sale of Properties	**$ 1,858**	$ 1,669
per share*	**32¢**	29¢
Net Earnings	**$ 2,190**	$ 1,806
per share*	**38¢**	31¢
Total Assets	**$157,986**	$132,060
Shareholders' Equity	**$ 27,819**	$ 26,404
Average Number of Common Shares Outstanding	**5,424,000**	5,380,000

*Based on average number of shares outstanding during the year, and after deduction of dividends paid on the Preference Shares.

SUMMARY OF EARNINGS FOR THE FIVE YEARS ENDED SEPTEMBER 30, 1973

	Year Ended September 30				
	1969	1970	1971	1972	1973
Earnings from operations	4,329	5,529	7,120	8,849	11,663
Interest—net	2,015	2,689	3,631	4,915	6,999
Depreciation of buildings	351	412	538	665	811
Current income taxes				220	119
Deferred income taxes	998	1,225	1,183	1,243	1,544
Net income	965	1,203	1,768	1,806	2,190

President's Statement

Financial Results

Your Company has recorded another satisfactory year of operations. The net earnings have increased by 21% to $2,190,000 and the gross cash flow by 23% to $4,842,000. The total assets are up by 20% and are just under $158,000,000. In view of the substantial development program now in progress your Directors decided in September to raise $20,000,000 through the sale of 9⅛% p.a. Sinking Fund Debentures Series "C", having a term of twenty-two years, to help finance this program. Pending their investment into real estate the surplus funds from this issue were invested in the short-term money markets.

Additionally, the Company raised nearly $8,000,000 at rates ranging from 8½% p.a. to 8¾% p.a. through private placements of medium-term first mortgages with a major Canadian institution.

In view of the results of the past year and the financial strength of the Company demonstrated by the balance sheet, your Directors increased the semi-annual dividend on the common shares for the third consecutive year. In September, 1973 this dividend was increased from 8 cents per share to 9 cents per share.

Future Outlook

The past year has been one of high demand for industrial and commercial real estate. The office market appears to be strengthening in most areas of the country and, even though many economists are predicting a slower growth pace in 1974, we anticipate continuing strength in the commercial and industrial market due to the apparent current shortage of space of this type.

During the past year the real estate industry has been the subject of review and attention by all three levels of government. Much of this interest has been concerned with questions of proper land use and control and questions of an ecological nature. Your Company recognizes the importance of these issues and, in its developments, endeavours to design plans and schemes which are not only profitable but also examples of sound physical and environmental planning.

Recent trends towards restrictions on development, although offering short-term political attraction, do not always work in the best interests of the community as a whole. If there is a continuing demand for particular types of accommodation, whether it be for business, industry, shopping or residential purposes, then rents of existing accommodation must go up rapidly if the supply is curtailed.

The Federal Government has before it Bill C-132 concerning the review of foreign investments intended to be made in Canada. On the basis of the draft legislation, the acquisition of a Canadian business by your Company may require approval by the Governor-in-Council. The legislation has not yet become law and it is difficult to say what effect, if any, it will have on the real estate industry generally or on the Company's future growth by means of acquisition of other properties.

M.E.P.C. provides first-class accommodation for Canadian business across the country, thereby releasing funds otherwise tied up in bricks and mortar for research, expansion, new plant etc. Your company will continue to concentrate on development and acquisition of good investments for its portfolio expansion. Many excellent sites and locations are already held by the Company and they are being and will be developed over the coming years.

To expand your Company's overall real estate operations and to take advantage of future opportunities, your Company activated one of its subsidiaries for the purpose of trading in real estate. While the contribution to the consolidated net earnings of the Company from this activity was not significant in 1973, it is expected that it will make a good contribution in future years.

Interest Rates

During the past year we have seen long-term mortgage rates move upwards approximately one and one-half percentage points. At the same time, short-term interest rates have pushed up to almost equal those rates with some adverse effect on your Company's earnings, particularly in the last quarter. Long-term interest rates are naturally extremely important to the health and independence of our industry and your Company. It is the Company's policy to raise long-term debt in anticipation of developments that will produce sufficient yields to accommodate increased borrowing costs.

Directors

During the past year Mr. W. G. Tucker retired as a Director and as Chairman of your Board. Mr. Tucker was a founding member of your Board and I express the appreciation of the Company, its Directors and Officers for his significant contribution to the policy, direction and success of the Company throughout the past eighteen years.

Mr. A. Ross Poyntz has been appointed as your new Chairman. Mr. Poyntz has been an active member of your Board for twelve years and we look forward to his future contribution as Chairman. Recently, Mr. D. A. McIntosh of Fraser & Beatty, Solicitors, was elected to fill a vacant position on your Board. Mr. McIntosh is a director of several major Canadian companies and will bring additional experience and expertise to your Company's national operations. Mr. R. H. D. King, our Vice President and Treasurer, was appointed at the November meeting of your directors to fill the vacancy created by the retirement of Mr. Tucker.

Acknowledgments

In closing, it has been an exciting year for your Company and the real estate industry. I would like to express my thanks to the Company staff for their contribution and loyalty which made the year one of success.

R. A. GREINER, *President*

November 9, 1973

Aerial View of some of the Company's Holdings in Don Mills, Ontario.

1. *1390 Don Mills Road.*
   50,000 sq. ft. office building leased to Olivetti-Underwood Limited.

2-4. *Yorkmills Place.*
   Complex of light industrial and office buildings aggregating 260,000 sq. ft. of which 167,000 sq. ft. were constructed by the Company in 1973. Tenants include Salada Foods Limited, Bausch and Lomb Optical Company Limited and Lloyds Electronics Limited.

5-6. *16-20 Lesmills Road.*
   Two office and industrial buildings, aggregating 75,000 sq. ft. Tenants include Bank of Montreal, Pitney Bowes Limited and Japan Camera Centre.

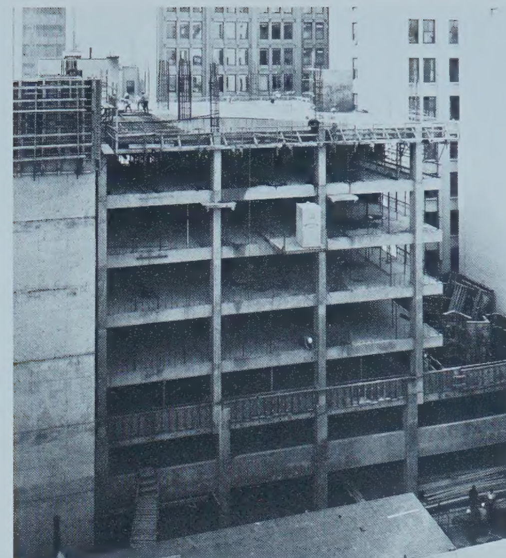
7. *105 Scarsdale Road.*
   19,000 sq. ft. industrial building leased to Smith Industries Limited.

Presently under construction at Yonge and Roxborough Streets, Toronto, Ontario.

A 40,000 sq. ft. office building (inset) that will be the new headquarters for the Association of Professional Engineers of Ontario. Completion of this development is set for the spring of 1974.

58th Avenue and Centre Streets, Calgary, Alberta.

Construction has recently commenced on this 40,000 sq. ft. multiple industrial building and is due for completion in the spring of 1974.



Office Building Under Construction—
Downtown Vancouver.

Construction is now in progress on the addition to the United Kingdom Building in downtown Vancouver. Upon completion—anticipated in the Fall of 1974—this complex (left) will contain 240,000 sq. ft. of office and retail space, along with underground parking facilities.

Kipling—Queensway Mall, Etobicoke, Ontario.

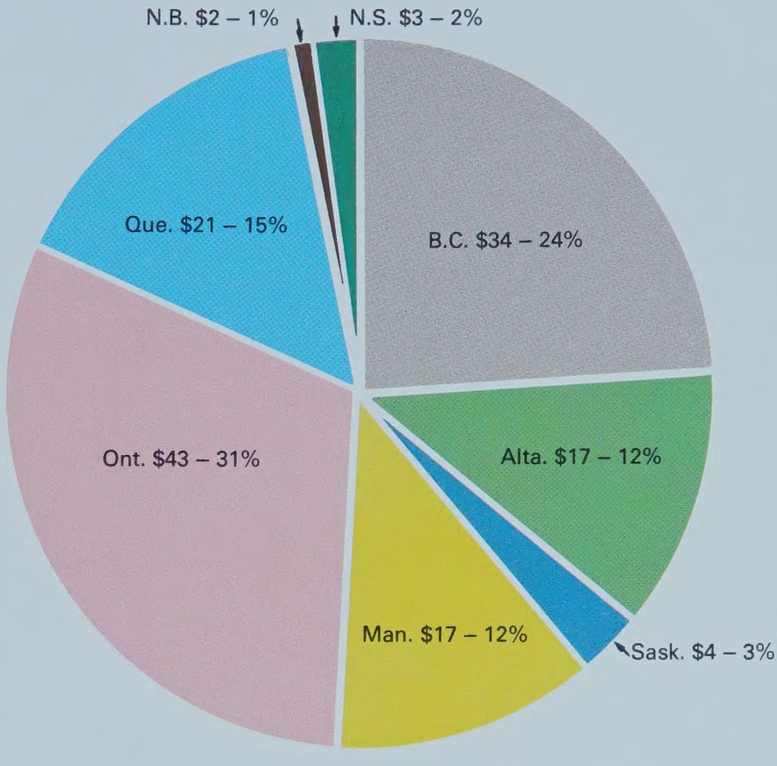
Development is now in progress (inset) of this 250,000 sq. ft. shopping centre in conjunction with G.A.V. Properties and Enterprises Limited. Completion is anticipated in the summer of 1974.

Hermes Building, Peel Street and De Maisonneuve Blvd., Montreal, P.Q.

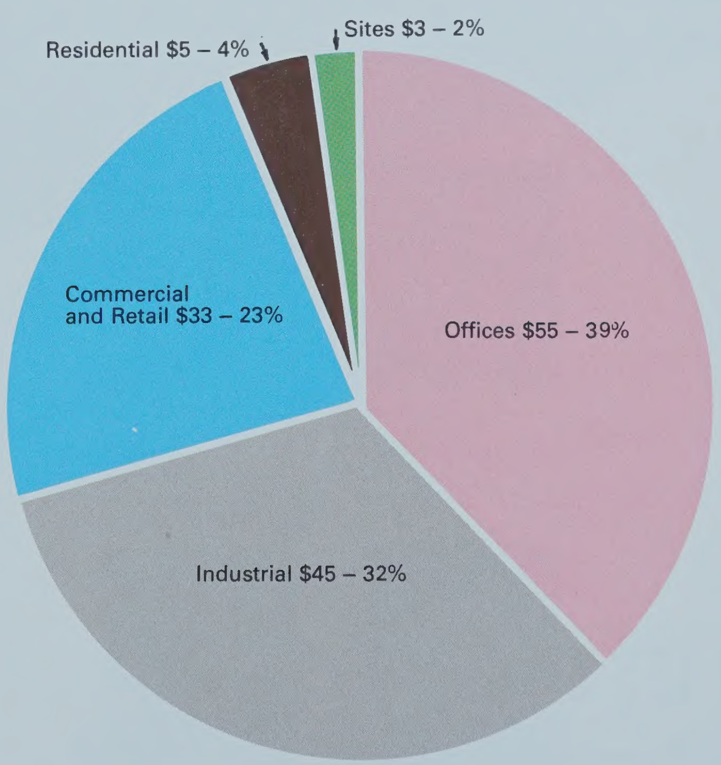
This building was acquired by the Company in 1972, and is now undergoing substantial renovation. When completed, the building will contain over 200,000 sq. ft. of office, showroom and retail space.

Real Estate Holdings (at cost—$ Millions)

By Province



By Mix



MEPC

Canadian Properties Limited

Coast to Coast

MANAGERS

1

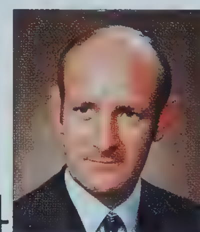
J. W. E. Hayes, F.R.I.
Suite 719
880 Douglas Street
Victoria, B.C.
(Code 604) 383-4168

2

R. A. Adam, F.R.I.
1200 West Pender Street
Vancouver 5, B.C.
(Code 604) 681-9474

3

T. F. Prete
239—8th Avenue S.W.
Suite 502
Calgary
(Code 403) 266-1695

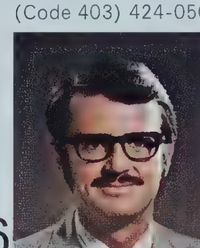


4

A. Evans, A.C.A.
Suite 910
Bank of Montreal
Building
10089 Jasper Avenue
Edmonton
(Code 403) 424-0507

5

O. W. Steele
310 Broadway
Room 303
Winnipeg R3C 0S6
Manitoba
(Code 204) 947-0524



6

J. D. Slidders, B.Com. F.R.I.
147 Davenport Road
Toronto, Ontario
(Code 416) 964-8434

7

P. R. S. Scott, B.Sc., M.B.A.
Suite 900
140 Wellington Street
Ottawa K1P 5A2
(Code 613) 237-6373

8

H. Bloom
Suite 310
1470 Peel Street
Montreal, P.Q.
(Code 514) 849-8489

9

R. W. Heslop, F.R.I.
800 Place d'Youville,
Quebec City, P.Q.
(Code 418) 525-6133

10

R. E. Cunningham
6009 Quinpool Road
Halifax, N.S.
(Code 902) 429-6176

MEPC
Canadian Properties Limited

consolidated balance sheet as at September 30, 1973

Assets	1973	1972
	(in thousands of dollars)	
Cash	$ 309	$ 404
Short-term investments	17,657	5,585
Rents and sundry receivables	698	592
Prepaid expenses	837	791
Properties (note 2)	130,595	119,306
Developments in progress (note 3)	4,513	2,585
First mortgages, loans receivable and agreements for sale	1,315	1,402
Unamortized financing and other expenses	2,062	1,395
	$157,986	$132,060

On behalf of the Bcard

A. R. POYNTZ, Director

R. A. GREINER, Director

Liabilities	1973	1972
	(in thousands of dollars)	
Bank and other demand loans—secured	$ 1,200	$ 2,750
Accounts payable and accrued liabilities	3,121	3,449
Income taxes payable	19	246
Notes payable (note 4)	4,000	4,000
Long-term debt (note 11)	114,707	89,635
Deferred income taxes (note 1-e)	7,120	5,576
	130,167	105,656
Shareholders' Equity		
Capital (notes 5 and 6)		
Preference shares	2,182	2,232
Common shares	18,174	17,853
Retained earnings	7,463	6,319
	27,819	26,404
	$157,986	$132,060

consolidated statement of earnings for the year ended September 30, 1973

		1973	1972
		(in thousands of dollars)	
RENTAL INCOME		$ 18,014	$ 13,972
Direct property expenses		6,149	4,718
NET RENTAL INCOME		11,865	9,254
EXPENSES			
Interest—Net (note 7)	$ 6,999		4,915
Administrative and general	513		515
		7,512	5,430
NET OPERATING INCOME		4,353	3,824
Depreciation (note 1-d)		852	692
NET EARNINGS before the following items		3,501	3,132
Provision for income taxes—current	$ 119		220
—deferred (note 1-e)	1,524		1,243
		1,643	1,463
		1,858	1,669
Gain on sale of properties (after deducting deferred income taxes 1973 $20,000—1972 nil)		332	137
NET EARNINGS		$ 2,190	$ 1,806
EARNINGS PER COMMON SHARE before gain on sale of properties (note 9)		32¢	29¢
EARNINGS PER COMMON SHARE (note 9)		38¢	31¢
Average number of common shares outstanding		5,424,000 shs.	5,380,000 shs.

consolidated statement of retained earnings for the year ended September 30, 1973

		1973	1972
		(in thousands of dollars)	
BALANCE, beginning of year		$ 6,319	$ 5,442
Add: Net earnings		2,190	1,806
Gain on purchase for cancellation of preference shares (note 5)		11	13
		8,520	7,261
Less: Dividends paid—preference shares	$ 133		134
—common shares	924		808
		1,057	942
BALANCE, end of year		$ 7,463	$ 6,319

consolidated statement of source and use of funds for the year ended September 30, 1973

	1973	1972
	(in thousands of dollars)	
OPERATIONS		
Net earnings	$ 2,190	$ 1,806
Depreciation (note 1-d)	852	692
Amortization of financing and other expenses	256	209
Deferred income taxes (note 1-e)	1,544	1,243
GROSS CASH FLOW	4,842	3,950
Annual payments on long-term debt	2,147	1,834
Funds available from operations	2,695	2,116
Dividends paid	1,057	942
Funds available from operations for reinvestment	1,638	1,174
NEW FINANCING		
Additional long-term debt—net	27,219	32,991
Issue of capital stock	321	176
INCREASE in bank indebtedness and other net current obligations	—	3,590
	$ 29,178	$ 37,931
REPRESENTED BY:		
Investment in real estate	$ 14,181	$ 33,791
Increase in short-term investments	12,072	3,452
Decrease in bank indebtedness and other net current obligations	2,162	—
Redemption of preference shares	39	44
Increase in other assets—net	724	644
	$ 29,178	$ 37,931
GROSS CASH FLOW PER COMMON SHARE (note 9)	87¢	71¢
Average number of common shares outstanding	5,424,000 shs.	5,380,000 shs.

notes to consolidated financial statements September 30, 1973

1. ACCOUNTING POLICIES

(a) General

The Company's accounting policies are substantially in accordance with the views of the Research Study Group on Accounting for Real Estate Development Operations of the Canadian Institute of Chartered Accountants, and the recommendations of the Canadian Institute of Public Real Estate Companies.

(b) Consolidation

The consolidated financial statements include

(i) the accounts of M.E.P.C. Canadian Properties Limited and all of its subsidiaries, and

(ii) the 50% share of the assets, liabilities and earnings pertaining to the Company's interest in an unincorporated joint venture.

(c) Capitalization of Costs

The Company follows the policy of capitalizing, as a part of the cost of acquisition and development of properties:

(i) direct carrying costs such as interest, realty taxes and other costs which pertain to such properties;

(ii) the applicable portion of administrative overhead, professional fees and interest on general borrowings, and

(iii) income and operating expenses until such time as the break-even point in cash flow from the property is attained subject to a maximum period of one year after substantial completion of the property.

The following amounts were capitalized during the fiscal years ended September 30, 1973 and 1972

	1973	1972
Interest	$201,027	$432,250
Property taxes	17,338	74,979
Other expenses—net of rental income	228,751	65,268
	$447,116	$572,497

(d) Depreciation

The Company's income-producing properties are depreciated on a 6%, 40-year sinking fund basis. Depreciation on buildings amount to $811,000 for 1973 and $665,200 for 1972. Other assets are depreciated on the declining balance method.

(e) Income taxes

The Company claims for income tax purposes, depreciation, interest and other expenses, the amounts of which differ from those recorded for the purpose of determining accounting income. In accordance with the recommendations issued by the Canadian Institute of Chartered Accountants, the Company adopted the policy of recording income taxes so deferred for 1968 and subsequent years while amounts aggregating $2,057,000 applicable to the years prior to 1968 have not been recorded.

(f) Restatement of comparative figures

The 1972 comparative figures have been restated to reflect certain changes in classification between direct property expenses and general and administrative expenses.

2. PROPERTIES

	1973	1972
Land, at cost	$ 32,707,766	$ 27,088,888
Buildings and improvements, at cost	103,810,942	97,333,682
	136,518,708	124,422,570
Less: Accumulated depreciation	5,923,471	5,116,559
	$130,595,237	$119,306,011

3. DEVELOPMENTS IN PROGRESS

	1973	1972
Land, at cost	$ 2,065,396	$ 1,607,186
Construction in progress	2,447,103	977,916
	$ 4,512,499	$ 2,585,102

4. NOTES PAYABLE

	1973	1972
9¾%, repayable, August 31, 1974	$ 2,000,000	$ 2,000,000
10%, repayable, September 26, 1974	2,000,000	2,000,000
	$ 4,000,000	$ 4,000,000

5. CAPITAL STOCK

Authorized	Issued		1973	1972
227,266	87,266	Preference shares with a par value of $25 each issuable in series—6% cumulative, redeemable preference shares, Series A - - - - -	$ 2,181,650	$ 2,231,775
7,500,000	5,457,076	Common shares without par value - - - - - - - - - -	18,173,966	17,853,166
			$20,355,616	$20,084,941

Preference Shares

2,005 Preference shares, Series A, were purchased for cancellation during the year and the authorized and issued share capital reduced accordingly.

The Preference shares, Series A, are redeemable at the option of the Company at $25.75 per share until June 1, 1975 and thereafter at reducing amounts.

Common Shares

62,325 Common shares without par value were issued during the year for $320,800 in cash. Of these shares, 38,325 were issued to holders of the share purchase warrants, and 24,000 were issued under stock options granted to executives of the Company.
786,394 Common shares are reserved for issuance against the exercise of share purchase warrants as follows:

Number of Common Shares Reserved	Exercise Price per Share	Expiry Date
73,079	$3.50	June 30, 1976
40,000	6.67	December 31, 1976
673,315	6.00	October 31, 1976

57,000 Common shares are reserved for issuance under stock options granted to executives of the Company as follows:

Number of Common Shares Reserved	Exercise Price per Share	Expiry Date
1,000	$4.50	July 31, 1974
30,000	4.95	August 4, 1976
18,000	4.95	September 9, 1976
8,000	6.55	September 7, 1977

6. DIVIDEND RESTRICTIONS

The Trust Deeds and Trust Indenture under which the First Mortgage Bonds and Sinking Fund Debentures were issued, contain certain restrictions on the declaration or payment of dividends on common shares so long as any of the said bonds or debentures are outstanding.

The conditions attached to the preference shares, Series A, contain certain restrictions on the declaration or payment of dividends on the common shares.

7. INTEREST

Interest expense includes the following:

	1973	1972
Interest on long-term debt (including amortization of bond discount and other financing expenses)	$ 7,210,761	$ 5,666,625
Interest on bank loans and other indebtedness - - - - - - - - - - - - - - - - - -	343,713	82,145
	7,554,474	5,748,770
Less: Interest applicable to properties under development - - - - - - - - - - - - -	201,027	432,250
	7,353,447	5,316,520
Less: Income from short-term investments -	354,502	401,559
Interest expense—net -	$ 6,998,945	$ 4,914,961

8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid during the year to directors and senior officers of the Company amounted to $188,574 ($186,054 in 1972).

9. EARNINGS AND GROSS CASH FLOW PER COMMON SHARE

Earnings and gross cash flow per common share are based on the weighted monthly average number of shares outstanding during each year (5,424,000 in 1973 and 5,380,000 in 1972) and after deduction of dividends paid on the Preference shares as shown in the Consolidated Statement of Retained Earnings. Exercise of share purchase warrants and stock options outstanding would not materially dilute the earnings and gross cash flow per common share.

10. COMMITMENTS

Capital Expenditures

Expenditures of $11,966,000 will be required to complete the current development program as at September 30, 1973. In addition, the company is committed to expenditures aggregating $3,765,000 for the acquisition of properties.

Land Leases

The aggregate minimum annual rental obligation under land leases is as follows:

1974 to 2010—$140,644	2059 to 2063—$ 60,800
2011 to 2026—$117,681	2064 to 2069—$ 50,000
2027 to 2058—$ 69,681	

11. LONG-TERM DEBT

	1973	1972
First Mortgage Sinking Fund Bonds		
Series A, 6¾%, due August 1, 1982 (after deducting $37,000 ($99,000 in 1972) principal amount purchased and held for sinking fund purposes)—$125,000 repayable annually	$ 1,964,000	$ 2,026,000
1983 Series, due December 1, 1983		
5⅞%, U.S. $2,312,500—U.S. $62,500 repayable semi-annually	2,503,803	2,638,815
6⅜%, (after deducting $35,000 ($60,000 in 1972) principal amount purchased and held for sinking fund purposes)—$12,500 repayable semi-annually	427,500	427,500
1987 Series, due January 9, 1987		
6⅜%, U.S. $2,317,500—U.S. $52,500 repayable semi-annually	2,504,567	2,617,967
1988 Series, due August 1, 1988		
7-15/16%, U.S. $1,707,500—U.S. $32,500 repayable semi-annually	1,827,938	1,897,884
1991 Series, due February 1, 1991		
8½%, $65,000 repayable semi-annually	3,610,000	3,740,000
8%, U.S. $3,610,000—U.S. $65,000 repayable semi-annually	3,636,180	3,766,180
1991 Series, due September 1, 1991		
10½%, $31,000 repayable semi-annually	1,401,000	1,463,000
Mortgages Payable	47,154,493	41,380,568

Mortgages payable are subject to interest rates varying from 5% to 10¾% (with an effective average rate of approximately 7½%), mature at various dates in the fiscal years 1974 to 1998 and are repayable approximately as follows:

Fiscal Year		Fiscal Year	
1974	$ 2,073,129	1977	$ 2,981,421
1975	$ 1,501,293	1978	$ 1,655,219
1976	$ 2,434,147	Subsequent to 1978	$36,509,284
			$47,154,493

	1973	1972
Sinking Fund Debentures		
8%, Series A, due November 1, 1991 (after deducting $172,500 ($400,000 in 1972) principal amount purchased and held for sinking fund purposes) $240,100 repayable annually	6,600,000	6,600,000
8¾%, Series B, due January 3, 1994 $343,000 repayable annually commencing January 3, 1976	10,000,000	10,000,000
9⅛%, Series C, due September 1, 1995—$686,000 repayable annually commencing September 1, 1977	20,000,000	—
Notes Payable		
6½%-7½%, repayable $117,000 April 1, 1985 and $118,000 December 1, 1987	235,000	235,000
Unsecured Advances from Parent Company		
9¾% (subject to review on January 10, 1974) repayable July 10, 1975	9,842,520	9,842,520
9½% (subject to review on January 15, 1974), repayable $600,000 January 15, 1975 and $2,400,000 January 15, 1976	3,000,000	3,000,000
	$114,707,001	$89,635,434

Long-term debt payable in United States funds has been expressed in Canadian dollars at the rate of exchange prevailing when the funds were received. Conversion at the rate of exchange prevailing at September 30, 1973 would reduce the long-term debt by $665,000.

CAMPBELL, SHARP, NASH & FIELD
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
M.E.P.C. Canadian Properties Limited

We have examined the consolidated balance sheet of M.E.P.C. Canadian Properties Limited and its subsidiaries as at September 30, 1973 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at September 30, 1973 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
November 9, 1973

Campbell, Sharp, Nash & Field
Chartered Accountants